



KENNETH A. GIBSON

MAYOR

NEWARK, NEW JERSEY

07102

JUL 3 1982

June 30, 1982

Honorable Wynona Lipman
Senator
50 Park Place, Suite 938
Newark, New Jersey 07102

Dear Senator Lipman:

The attached bill (A-1570), introduced by Assemblymen Baer and Mazur would require state compensatory aid to municipalities wherein tax exempt property exceeds 25% of the total land area. The amount of aid is calculated by multiplying the effective local purpose tax rate by the aggregate taxable value of assessments of tax exempt properties located in the municipality. Tax exempt property owned by the state and qualified for State payments in lieu of taxes are most includable in this calculation.

The maximum compensatory aid allowable under the terms of A-1570 would be an amount equal to 25% of the amount to be raised by taxes to support the municipal budget.

This bill would partially compensate municipalities which host large numbers of tax exempt properties; the costs for these services are passed on to the property tax payers. The situation becomes severely onerous when a municipality contains a disproportionately high percentage of tax exempt property. A municipality like Newark, where nearly 60% of the property is tax exempt, is forced to place a tremendous burden on the people who own the 40% of the property which is subject to taxation.

A-1570 recognizes that since tax exempt properties serve and benefit the public at-large, they should be supported (at least in part) by the public at-large instead of just by a handful of taxpayers in the host municipality. State compensatory aid is one way of equalizing the situation.

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Although it is a step in the right direction, A-1570 does not go far enough. Our major objection to the bill is Section 11 which allows for proportional reduction of aid in the event that there is less than full funding appropriated for this program. We feel that full funding should be required and that is what Section 11 should say. After all, Newark would not respond to a fire alarm at a tax exempt property by putting out 15% of a fire because the State only appropriated 15% of the amount necessary to fund this program.

A second objection to this bill would be its lack of clarity regarding county-owned property which is not currently subject to payments in lieu of taxes although it is tax exempt.

On the whole, we support this bill and believe that it is worthy of your support, too.

Please let us know your feelings on this.

Sincerely,



Kenneth A. Gibson

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